

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Speier Analyst: Darrine Distefano Bill Number: SB 1724

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 07-02-2002

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Child and Dependent Care Refundable Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED May 2, 2002.

☒ STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY

This bill would conform the California Child and Dependent Care (CDC) credit to the recent changes made to the federal Child and Dependent Care Expenses credit.

SUMMARY OF AMENDMENTS

The July 2, 2002, amendments made the following changes to the bill:

- Adds co-authors.
- Adds two different effective dates for the percentage rates used to adjust the federal CDC for California purposes as follows:
 - The current percentage rates apply to taxable years beginning before January 1, 2003, and,
 - The decreased percentage rates apply to taxable years beginning on or after January 1, 2003.
- Decreases the current percentage rates for taxable years beginning on or after January 1, 2003, as follows:

State AGI:

\$40,000 or less

Over \$40,000 but not over \$70,000

Over \$70,000 but not over \$100,000

Over \$100,000

Credit Percentage:

50%

43%

34%

0%

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Brian Putler

8/2/02

- Adds double-joining language for this bill and AB 2963 – CDC Treatment of Never Married Parents. The Franchise Tax Board is the sponsor of AB 2963. These provisions would apply the same rules for the CDC to all classes of parents. Both bills amend the same section of the Revenue and Taxation Code. The double-joining language would provide that the section in this bill containing the provision that incorporates the amendments made by this bill and by AB 2963 would go into effect only if both bills are enacted into law.

The July 2nd amendments change the original revenue estimate from the analysis dated May 2, 2002. A revised estimate is provided below. The remainder of the analysis of the bill as amended May 2, 2002, still applies.

POSITION

Pending.

ECONOMIC IMPACT

The change to the percentage amount beginning January 1, 2003, is revenue neutral. The cost of the credit to the state under current law would remain approximately the same with this modified conformity to federal law. However, the decreased percentage amounts will affect individual taxpayers according to their income level. That is, in general, approximately 321,000 higher income taxpayers will have a reduction in the tax credit benefit, while approximately 306,000 lower income taxpayers will receive an increased tax credit benefit.

LEGISLATIVE STAFF CONTACT

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